

**Verizon New England Inc.
d/b/a Verizon Massachusetts**

Commonwealth of Massachusetts

D.T.E. Docket No. 06-61

Respondent: Joseph S. Williams
Title: Specialist Financial Planning &
Analysis – Service Costs

REQUEST: Department of Telecommunications and Energy, Set #1

DATED: September 5, 2006

ITEM: DTE-VZ 1-12 Please see WP5. What was Verizon's headcount for each job function listed in lines 8-16 in years 1996 and 2000? What was Verizon's market share and customer base, as those terms are used in Exhibit 2 at page 4, for the years 1996 and 2000?

REPLY: Job Codes representing functions listed on WP5 have been used since 2001. Similar data prior to then are not available.

Verizon's use of the terms "market share" and "customer base" as used in Exhibit 2 at page 4, is in the abstract or generic sense to convey that expenses associated with market management functions incurred to provide a retail service, will be avoided when that service is provided as a resold wholesale service to a reseller and is not meant to connote any absolute or empirical bearing on market share or customer base statistics.

Verizon does not have complete information on which to determine market share for the periods in question. Information on the total dimensions of the market is neither easily obtained nor readily known. For example, if revenue shares were the basis, it would require inclusion of revenues associated with wireless communications, cable telephony, CLECs and resellers, Internet Instant Messaging, VoIP and other emerging applications that serve as substitutes and displacement of traditional wireline common carrier telecommunications.

The FCC has collected data that incumbent and competitive local exchange carriers, and mobile wireless telephone service providers supply as inputs for the FCC Local Competition Status Reports.

REPLY: DTE-VZ 1-12
(Cont'd.)

These are publicly available at <http://www.fcc.gov/wcb/iatd/comp.html> . However, these data do not provide a complete view of market share in that they do not consider the applications that serve as substitutes and displacement of traditional wireline common carrier telecommunications noted above. Also, the Report does not include data for all competitive local exchange carriers because only those serving over 10,000 lines are required to report and it was voluntary for the others. The earliest information from the FCC is for the year ending 1998, so information for 1996 is not available. For the year ending 2000, the FCC reported 4,762,233 end-user lines in Massachusetts of which 4,252,502 were reported by one ILEC (Verizon). In addition the FCC reported that there were 2,649,130 mobile wireless telephone subscribers.

For the year 1996, Verizon's FCC ARMIS Report 48-08, Table III showed 4,157,545 access lines for Verizon in Massachusetts.

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ITEM: DTE-VZ 1-15 Please see Exhibit 2, page 5. Verizon states that “marketing expenses are predominately people-oriented (salary and wages).” Please state the non-predominate expenses attributable to marketing activities.

REPLY: Verizon’s non-labor related 6611 expenses consist of contracted services, fees and rents for advertising, product research and other marketing services. In 2005, the total company non-labor expense was \$38.7M out of \$570.5 or 6.78% of USOA 6611.

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ITEM: DTE-VZ 1-5 Please provide information on the status of the FCC's resale discount remand proceeding. Has the FCC given any indication that it will not complete this rulemaking and that state commissions should implement the avoided cost methodology in advance of completion of that rulemaking?

**SUPPLEMENTAL
REPLY:** It is Verizon's understanding that the FCC has not yet determined if new rules are required in place of the rules vacated by the Eighth Circuit. The Eighth Circuit's No. 96-3321 (and consolidated cases) July 18, 2000 ruling vacated, in total 47 C.F.R. §§ 51.609 and 51.611 (see Conclusion at p. 36), striking down the FCC "avoidable" cost standard as contrary to the statute, establishing that "*The plain meaning of the statute is that costs that are actually avoided, not those that could be or might be avoided, should be excluded from the wholesale rates*" is the statutory standard.

As evidenced in the Reply to DTE-VZ 1-1, that has not prevented the FCC from establishing new resale discount rates under the Eighth Circuit's standard in Virginia. The FCC declared, "*We agree with Verizon and will establish wholesale discount rates in this arbitration. As we stated in the Non-Cost Arbitration Order, we are required under the 1996 Act to decide all issues that are fairly presented to us (foot note omitted).*" The FCC also stated, "*Accordingly, it would be improper for us to continue to apply these rates to continue prospectively. Rather, the record before us is sufficient for us to establish new discount rates under the Eighth Circuit's standard.*" (DTE-VZ 1-1, Attachment I, ¶ 668). Nor did it prevent the Pennsylvania PUC from establishing new discount rates under the Eighth Circuit's standard as noted in the Reply to

SUPPLEMENTAL
REPLY: DTE-VZ 1-5 DTE-VZ 1-4.
(Cont'd.)